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**SUPERPACK  
CORPORATION  
LIMITED**

**1974  
ANNUAL  
REPORT**





# Superpack Corporation Limited

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## Officers

Irving Gould, *Chairman of the Board*  
Vincent P. Paul, *President*  
Guido Brina, *Vice-President*  
Herman C. Vinnet, *Vice-President of Finance and Secretary*  
Gerald Papernick, *Treasurer and Assistant Secretary*

## Directors

Guido Brina, *Monmouth Beach, New Jersey*  
Irving Gould, *Nassau, Bahamas*  
Vincent P. Paul, *Toronto, Ontario*  
Stanley J. Randall, *Toronto, Ontario*  
William F. Saynor, *Toronto, Ontario*

## Registrar and Transfer Agent

Guaranty Trust Company of Canada

## Auditors

Wm. Eisenberg & Co.

## General Counsel

Davies Ward and Beck

## Head Office

3370 Pharmacy Avenue  
Agincourt, Ontario

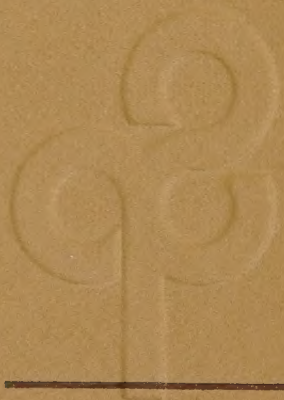
## Branch Offices

Los Angeles, *California*  
St. Louis, *Missouri*  
Elizabeth, *New Jersey*  
Nassau, *Bahamas*  
Minneapolis, *Minnesota*

## Listed On

Montreal Stock Exchange

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# Annual Report 1974

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## LETTER FROM THE PRESIDENT

Gross operating revenues from continuing operations for the fiscal year ended November 30, 1974, increased by 13.1% over the preceding year. A decrease of 9.7% in the packaging operations of your company was offset by increased sales of 41.4% in the metal housewares and manufacturing operations.

The company divested itself of its printing operation, a wholly owned subsidiary, and the losses occasioned by this operation are reflected in the Statement of Earnings under the heading Loss from Discontinued Operations. Also, all patent and trademark costs were fully written off, rather than continue our annual amortization policy, since income derived from these patents has diminished substantially. The resulting write-down of \$492,284 is reflected in the Consolidated Statement of Earnings as an unusual item. The disappointing operating results of Gildon Metal Enterprises Limited dictated the write-off of the goodwill which arose on acquisition of this subsidiary. Steps are presently under way to relocate Gildon in the Nortex Products Company plant, which will eliminate the duplication of certain overhead items and effect economies in its operation.

The operating results of Nortex Products Company for the fiscal year were most encouraging. This division has been adversely affected by current economic conditions with a resultant decrease in sales during the first three months of the current fiscal year, however orders currently being received from our customers indicate that consumer demand for our products should strengthen in the next few months. In a move toward further diversification in this division, your company has developed a garbage compactor and several units have already been located in the marketplace for testing in actual operation. Production and sale of these units should commence within three months.

Operating results for the three month period ended February 28, 1975, with comparative figures for the same period of the preceding fiscal year are enclosed with this report.

For the Board of Directors



*President*

Toronto, Canada  
April 22, 1975



## Financial Summary

### Five Year Combined Financial Summary in Canadian Funds

Year Ended November 30	1974	1973	1972	1971	1970
Gross Operating Revenues	<b>\$11,310,009</b>	\$10,000,301	\$10,738,723	\$9,306,356	\$9,234,319
Earnings before Undernoted items	<b>900,565</b>	683,176	1,095,833	1,013,175	946,125
Depreciation and Amortization	<b>290,777</b>	317,222	292,350	344,418	373,808
Interest	<b>385,224</b>	309,716	231,561	206,581	192,753
Income Taxes	<b>62,607</b>	34,830	276,049	249,861	224,261
Net Earnings from Continuing Operations	<b>161,957</b>	21,408	295,873	212,315	155,303
Unusual Items and Discontinued Operations	<b>(754,674)</b>	(156,979)	(111,672)	(243,650)	78,725
Net Earnings (loss) before Extraordinary Items	<b>(592,717)</b>	(135,571)	184,201	(31,335)	234,028
Extraordinary Items	<b>8,735</b>	197,339	—	(3,197,587)	—
Net Earnings (loss)	<b>(583,982)</b>	61,768	184,201	(3,228,922)	234,028
Earnings (loss) per share on:—					
Net Earnings from Continuing Operations	<b>0.28</b>	0.04	0.52	0.37	0.27
Unusual Items and Discontinued Operations	<b>(1.32)</b>	(0.27)	(0.20)	(0.42)	0.14
Net Earnings (loss) before Extraordinary Items	<b>(1.04)</b>	(0.23)	0.32	(0.05)	0.41
Extraordinary Items	<b>0.02</b>	0.34	—	(5.56)	—
Net Earnings (loss)	<b>(1.02)</b>	0.11	0.32	(5.61)	0.41
Funds provided by continuing operations, per share	<b>0.89</b>	0.64	1.03	0.94	0.92
Average number of shares outstanding during year	<b>572,687</b>	572,687	572,570	575,133	574,722

*Note: Certain of the above figures have been reclassified for comparative purposes.*

## Auditors' Report

To the shareholders,  
SUPERPACK CORPORATION LIMITED

We have examined the consolidated balance sheet of Superpack Corporation Limited and its subsidiary companies as at November 30, 1974, and the consolidated statements of earnings, deficit and changes in financial position for the year then ended. Our examination of the financial statements of Superpack Corporation Limited and those subsidiaries of which we are the auditors, included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, subject to the contingent income tax liability (note 11) and the share valuation (note 2) these consolidated financial statements present fairly the financial position of the companies as at November 30, 1974, the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
March 18, 1975.

WM. EISENBERG & CO.  
Chartered Accountants



**Superpack Corporation Limited**  
and subsidiary companies

**Consolidated Statement of Earnings  
for the year ended November 30, 1974**

	<u>1974</u>	<u>1973</u>
SALES	<u>\$11,310,009</u>	<u>\$10,000,301</u>
EARNINGS FROM OPERATIONS BEFORE UNDERNOTED ITEMS	891,515	680,181
Amortization of deferred charges	34,607	71,961
Depreciation	256,170	245,261
Interest on long term debt	131,441	150,886
Other interest	<u>253,783</u>	<u>158,830</u>
EARNINGS BEFORE UNUSUAL ITEMS	215,514	53,243
Write down of patents and trademarks (note 1e)	( 492,284)	—
Write off of goodwill (note 1g)	( 115,216)	—
Loss from discontinued operations (note 5)	( 147,174)	( 156,979)
	( 539,160)	( 103,736)
Minority interest in subsidiary's loss (note 1a)	<u>9,050</u>	<u>2,995</u>
LOSS BEFORE TAXES AND EXTRAORDINARY ITEMS	( 530,110)	( 100,741)
Income taxes	<u>62,607</u>	<u>34,830</u>
LOSS BEFORE EXTRAORDINARY ITEMS	→ ( 592,717)	( 135,571) ←
Extraordinary items (note 5)	<u>8,735</u>	<u>197,339</u>
NET EARNINGS (LOSS) FOR YEAR	<u>(\$ 583,982)</u>	<u>\$ 61,768</u>
EARNINGS (LOSS) PER SHARE (Note 8c)		
Before extraordinary items	<u>(\$1.03)</u>	<u>(\$ .24)</u>
Net earnings (loss) for year	<u>(\$1.02)</u>	<u>\$ .11</u>

**Consolidated Statement of Deficit  
for the year ended November 30, 1974**

	<u>1974</u>	<u>1973</u>
Balance (deficit), beginning of year	\$414,028	(\$1,261,535)
Net earnings (loss) for year	( 583,982)	61,768
Reduction of deficit resulting from decrease in value of paid-up capital stock	<u>—</u>	<u>1,613,795</u>
Balance (deficit), end of year	<u>(\$169,954)</u>	<u>\$ 414,028</u>

*The attached notes form an integral part of these financial statements.*



**Superpack Corporation Limited**  
and subsidiary companies

**Consolidated Balance Sheet  
as at November 30, 1974**

**ASSETS**

**CURRENT**

	<b>1974</b>	<i>1973</i>
Cash	<b>\$ 19,274</b>	\$ 8,792
Accounts receivable	<b>1,615,672</b>	1,894,866
Inventories (note 1b)	<b>1,676,773</b>	1,658,321
Prepaid expenses and sundry assets	<b>63,997</b>	105,604
Income taxes recoverable	<b>159,989</b>	129,510
	<b><u>3,535,705</u></b>	<u>3,797,093</u>

**INVESTMENTS, at cost (note 2)**

<b>740,991</b>	<u>740,929</u>
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**FIXED**

Land	<b>75,054</b>	75,054
Building	<b>272,452</b>	262,589
Machinery, furniture and fixtures	<b>2,365,671</b>	2,655,212
Leasehold improvements	<b>256,683</b>	231,393
Tools and dies	<b>350,602</b>	303,689
Vehicles	<b>100,323</b>	97,795
Vending units	<b>1,142,298</b>	1,138,425
Total, at cost	<b>4,563,083</b>	4,764,157
Accumulated depreciation (note 1d)	<b><u>3,315,919</u></b>	<u>3,138,138</u>
	<b><u>1,247,164</u></b>	<u>1,626,019</u>

**OTHER**

Patents and trademarks (note 1e)	<b>47,190</b>	546,324
Deferred charges (note 1f)	<b>64,099</b>	62,821
Goodwill (note 1g)	<b>—</b>	115,216
	<b><u>111,289</u></b>	<u>724,361</u>

Approved on Behalf of the Board

"I. Gould", Director

"V. P. Paul", Director

<b><u>\$5,635,149</u></b>	<u>\$6,888,402</u>
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**LIABILITIES****CURRENT**

Bank indebtedness (note 3)	<b>\$1,621,816</b>	\$2,336,128
Accounts payable and accrued charges	<b>1,691,327</b>	1,577,789
Long term debt, due within one year	<b>187,353</b>	254,234

	<b><u>3,500,496</u></b>	<u>4,168,151</u>
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**LONG TERM DEBT**

Notes payable (note 4a)	<b>301,109</b>	241,293
Loan from director	<b>33,000</b>	—
Debentures payable (note 4b)	<b>1,077,034</b>	1,218,867

	<b><u>1,411,143</u></b>	<u>1,460,160</u>
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**DEFERRED INCOME TAXES (note 1h)**

	<b><u>103,169</u></b>	<u>46,718</u>
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**MINORITY INTEREST**

	<b><u>—</u></b>	<u>9,050</u>
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	<b><u>5,014,808</u></b>	<u>5,684,079</u>
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**SHAREHOLDERS' EQUITY****CAPITAL STOCK**

## Authorized

50,000 6% Cumulative, redeemable preference  
shares, par value \$20

1,000,000 Common shares, without par value

## Issued

572,687 Common shares	<b>790,295</b>	790,295
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**RETAINED EARNINGS (DEFICIT)**

	<b>( <u>169,954</u> )</b>	<u>414,028</u>
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	<b><u>620,341</u></b>	<u>1,204,323</u>
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	<b><u>\$5,635,149</u></b>	<u>\$6,888,402</u>
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*The attached notes form an integral part of these financial statements.*



**Supersack Corporation Limited**  
and subsidiary companies

**Consolidated Statement of Changes in Financial Position  
for the year ended November 30, 1974**

<b>SOURCE OF FUNDS</b>	<b>1974</b>	<b>1973</b>
Net earnings (loss) for year	(\$ 583,982)	\$ 61,768
Expenses not requiring working capital:		
Depreciation	298,781	286,803
Deferred income taxes	56,451	29,209
Amortization and write down of other assets	526,891	71,961
Write off of goodwill	115,216	—
Minority interest	( 9,050)	( 2,995)
Funds from operations	404,307	446,746
Disposal of division's fixed assets at net book value (note 5)	312,165	—
Increase in long term debt	422,658	56,277
	<u>1,139,130</u>	<u>503,023</u>
<b>USE OF FUNDS</b>		
Additions to fixed assets (net)	232,091	412,754
Addition to deferred assets (note 1f)	29,035	115,629
Reduction in long term debt	471,675	165,848
Investments	62	538
Acquisition of subsidiary company, including working capital deficit at acquisition	—	201,337
	<u>732,863</u>	<u>896,106</u>
INCREASE (DECREASE) IN WORKING CAPITAL	406,267	( 393,083)
WORKING CAPITAL (DEFICIT), BEGINNING OF YEAR	( 371,058)	22,025
WORKING CAPITAL (DEFICIT), END OF YEAR	<u>\$ 35,209</u>	<u>(\$371,058)</u>

*The attached notes form an integral part of these financial statements.*



# Superpack Corporation Limited

and subsidiary companies

## Notes to the Consolidated Financial Statements as at November 30, 1974

### 1. Accounting Policies

#### a. Principles of consolidation

The consolidated financial statements include the accounts of the following wholly-owned subsidiary companies and divisions:

<u>Companies</u>	<u>Divisions</u>
Scientific Packaging Corp.	Nortex Products
Coin-Op Sales Inc.	Company
Canbar Distributors Limited	Superpack
Superpack Vending Company (Nassau) Limited	Vending Company
Superpack Vending (Curacao) Limited	
Gildon Metal Enterprises Limited	

(Note: In 1974, the remaining 20% of the common shares of Gildon Metal Enterprises Limited were transferred to Superpack Corporation Limited for no consideration.)

#### b. Inventories

Inventories are valued at the lower of cost (first-in, first-out) and net realizable value, and consist of the following:

	<u>1974</u>	<u>1973</u>
Raw materials . . . . .	\$1,061,877	\$1,024,938
Work-in-progress . . . . .	213,050	201,430
Finished goods . . . . .	<u>401,846</u>	<u>431,953</u>
	<u>\$1,676,773</u>	<u>\$1,658,321</u>

#### c. Translation of foreign currencies

Foreign currencies have been translated into Canadian dollars on the following basis:

Current assets and	—	at the prevailing rate at the
current liabilities		balance sheet date
Other assets and	—	at historical rates
liabilities		
Income and expenses—		at average rates for the year,
		except for depreciation and
		amortization, which are
		translated on the same basis
		as their related assets

Gains and losses on translation have been reflected in the consolidated statement of earnings.

#### d. Depreciation of fixed assets

Depreciation is provided on a straight line basis at rates which are designed to charge the cost of the assets over their estimated useful lives (except for vending machines which are being depreciated on the sum of digits method) as follows:

Building	— 5%
Machinery, furniture and fixtures	— 10%
Leasehold improvements	— 5 to 15 years
Tools and dies	— 33-1/3%
Vehicles	— 15% — 25%

#### e. Patents and trademarks

The company has written down its cost of patents, licensing and trademarks incurred prior to November 30, 1968 (previously amortized over 20 years) from \$492,285 to a nominal value of \$1 in the current year. Patent and trademark costs incurred subsequent to that date are being amortized over a period of 10 years on a straight line basis.

#### f. Deferred charges

	<u>1974</u>	<u>1973</u>
Debenture extension expense is amortized over 60 months on a straight line basis at \$4,114 per annum (note 4b).	\$ 9,599	\$13,713
Leasing expense is amortized over the life of the leases at approximately \$3,777 per annum	24,809	—
Plant and labour study expense is amortized over three years at approximately \$19,417 per annum	<u>29,691</u>	<u>49,108</u>
	<u>\$64,099</u>	<u>\$62,821</u>

#### g. Goodwill

The company's excess of the cost of its subsidiary (Gildon Metal Enterprises Limited) over the book value on acquisition has been written off against earnings (note 1h).



# Superpack Corporation Limited

and subsidiary companies

## Notes to the Consolidated Financial Statements (continued) as at November 30, 1974

### h. Deferred income taxes

	<u>1974</u>	<u>1973</u>
Income taxes provided in respect of timing differences between accounting and taxable income	\$126,419	\$73,512
Income tax reductions which are expected to be realized in future years by carrying forward losses. In the view of management, these reductions are virtually certain to be realized	( 23,250)	( 26,794)
	<u>\$103,169</u>	<u>\$46,718</u>

One of the company's subsidiaries (Gildon Metal Enterprises Limited) has losses for tax purposes of \$119,281 for which deferred income taxes have not been provided, due to the uncertainty of their realization. These losses expire in 1980.

This subsidiary has recorded capital cost allowance for income tax purposes in excess of depreciation recorded in these financial statements in the amount of \$21,212 for which no deferred taxes have been provided.

### 2. Investments in Other Companies, at cost

	<u>1974</u>	<u>1973</u>
Corporate Properties Limited — 200,000 Common shares (20%) (quoted market value 1974 — \$350,000; 1973 — \$409,000)	\$720,000	\$720,000
Sundry (no quoted market value)	<u>20,991</u>	<u>20,929</u>
	<u>\$740,991</u>	<u>\$740,929</u>

No provision has been made in these financial statements to reflect quoted market value.

### 3. Bank Indebtedness

The bank indebtedness is secured by a general assignment of book debts, inventories, fixed assets and investments.

### 4. Long-term Debt

	<u>1974</u>	<u>1973</u>
a. Notes payable		
U.S.A. prime rate, plus 4.625%, secured by certain inventory and fixed assets of a U.S. subsidiary and restrictions on dividends by that subsidiary; repayable at \$120,000 per annum	\$ 385,601	\$ —
Other, secured by certain fixed assets and repayable at approximately \$10,500 per annum	81,895	138,692
Other debt assumed by purchaser of company's printing operations (note 5)	—	276,835
	<u>467,496</u>	<u>415,527</u>
Due within one year	<u>166,387</u>	<u>174,234</u>
	<u>\$ 301,109</u>	<u>\$ 241,293</u>

### b. Debentures payable

	<u>1974</u>	<u>1973</u>
Debentures outstanding at end of year	\$1,212,667	\$1,298,867
Debentures purchased, but not yet cancelled (secured balance due to broker — \$76,742)	<u>114,667</u>	<u>—</u>
	<u>1,098,000</u>	<u>1,298,867</u>
Due within one year	<u>20,966</u>	<u>80,000</u>
	<u>\$1,077,034</u>	<u>\$1,218,867</u>

The 9% convertible sinking fund debentures, maturing March 31, 1977, are secured by a floating charge on the assets of the company and its subsidiaries, and are convertible prior to maturity at the holder's option into common shares at varying prices between \$12 and \$14.

The debentures are redeemable under certain conditions at a premium of less than 1%, which reduces



## Notes to the Consolidated Financial Statements (continued) as at November 30, 1974

annually. The company is required to retire \$150,000 of these debentures by March 31, 1975 (of which the company has already purchased \$129,034), and an additional \$150,000 by March 31, 1976.

### 5. Extraordinary Items

	<u>1974</u>	<u>1973</u>
Loss on disposal of assets of discontinued printing operation (net of income taxes of \$45,128). The operating results (including depreciation of \$42,000 — 1974 and \$41,000 — 1973) of this division for the years ended November 30, 1974 and 1973 have been excluded from continuing operations and shown as "loss from discontinued operations" on the consolidated statement of earnings.	(\$49,613)	\$ —
Income tax benefit from write off of goodwill in prior years on acquisition of printing operations	58,348	—
Gain on sale of shares of Scholarship Consultants of North America Limited (previously written down to \$1)	—	197,339
	<u>\$ 8,735</u>	<u>\$197,339</u>

### 6. Comparative Figures

Comparative 1973 figures have been reclassified and restated to conform to the 1974 statement presentation.

### 7. Commitments

- a. The following minimum annual payments are required (based on sales of products manufactured under certain trademarks and patent rights):

1975	\$30,000
1976	35,000
1977	40,000
1978	50,000

- b. The minimum annual rent on leases for 1975 amounts to \$230,000, plus certain occupancy costs. These leases expire at varying dates up to 1984 and require total payments of approximately \$1,590,000.

### 8. Capital Stock

- a. Debenture conversion

The company has reserved 91,500 common shares of its authorized capital for the possible conversion of debentures (note 4).

- b. Option

The company has reserved 7,500 common shares of its authorized capital for an employee's stock option, which may be exercised on or before February 7, 1978 at a price of \$3.50 per share.

- c. Earnings per share

Fully diluted earnings per share have not been calculated on the above option and conversions, as the effect of this calculation would be antidilutive.

### 9. Remuneration of Directors and Senior Officers

Aggregate remuneration of senior officers and directors of the company paid during the year amounted to \$194,044 (1973 — \$174,697).

### 10. Segmented Sales

	<u>1974</u>	<u>1973</u>
Packaging	\$ 5,004,834	\$ 5,540,075
Metal housewares and manufacturing	<u>6,305,175</u>	<u>4,460,226</u>
	<u>\$11,310,009</u>	<u>\$10,000,301</u>

### 11. Contingent Liabilities

The company has received notices of reassessment for its 1967, 1968 and 1969 taxation years amounting to approximately \$260,000, as a result of the disallowance of certain expenses. The company is appealing these reassessments and has not reflected the liability in these financial statements, as management feels that the reassessments are without merit.



